



AMENDMENT NO. _____

Calendar No. _____

Purpose: To modify the provisions relating to the child tax credit and to strike the provisions relating to dependent care assistance.

IN THE SENATE OF THE UNITED STATES—117th Cong., 1st Sess.

AMENDMENT N^o 1381To By Lee _____ S. Con.To: Amat. No. 891 _____

Ref _____ and _____

40
Page(s)

GPO: 2020 42-568 (mac)



AMENDMENT intended to be proposed by Mr. LEE to the amendment (No. 891) proposed by Mr. SCHUMER

Viz:

- 1 In subtitle G of title IX, strike part 2 and all that
- 2 follows through the end of part 4 and insert the following:

- 3 **PART 2—CHILD TAX CREDIT**

- 4 **SEC. 9611. CHILD TAX CREDIT IMPROVEMENTS FOR 2021.**

- 5 (a) IN GENERAL.—Section 24 of the Internal Rev-
- 6 enue Code of 1986 is amended by adding at the end the
- 7 following new subsection:

- 8 “(i) SPECIAL RULES FOR 2021.—In the case of any
- 9 taxable year beginning after December 31, 2020, and be-
- 10 fore January 1, 2022—

1 “(1) REFUNDABLE CREDIT.—Paragraphs (5)
2 and (6) of subsection (h) shall not apply, and in ap-
3 plying subsection (d)—

4 “(A) subsection (d)(1)(A) shall be applied
5 without regard to subsection (h)(4), and

6 “(B) subsection (d)(1)(B)(i) shall be ap-
7 plied by substituting ‘15.3 percent of the tax-
8 payer’s earned income (within the meaning of
9 section 32) which is taken into account in com-
10 puting taxable income’ for ‘15 percent of so
11 much of the taxpayer’s earned income (within
12 the meaning of section 32) which is taken into
13 account in computing taxable income for the
14 taxable year as exceeds \$3,000’.

15 “(2) 17-YEAR-OLDS ELIGIBLE FOR TREATMENT
16 AS QUALIFYING CHILDREN.—This section shall be
17 applied—

18 “(A) by substituting ‘age 18’ for ‘age 17’
19 in subsection (c)(1), and

20 “(B) by substituting ‘described in sub-
21 section (c) (determined after the application of
22 subsection (i)(2)(A))’ for ‘described in sub-
23 section (c)’ in subsection (h)(4)(A).

24 “(3) CREDIT AMOUNT.—Subsection (h)(2) shall
25 not apply and subsection (a) shall be applied by sub-

1 stituting ‘\$3,300 (\$4,200 in the case of a qualifying
2 child who has not attained age 6 as of the close of
3 the calendar year in which the taxable year of the
4 taxpayer begins)’ for ‘\$1,000’.

5 “(4) REDUCTION OF INCREASED CREDIT
6 AMOUNT BASED ON MODIFIED ADJUSTED GROSS IN-
7 COME.—

8 “(A) IN GENERAL.—The amount of the
9 credit allowable under subsection (a) (deter-
10 mined without regard to subsection (b)) shall be
11 reduced by \$50 for each \$1,000 (or fraction
12 thereof) by which the taxpayer’s modified ad-
13 justed gross income (as defined in subsection
14 (b)) exceeds the applicable threshold amount.

15 “(B) APPLICABLE THRESHOLD AMOUNT.—
16 For purposes of this paragraph, the term ‘ap-
17 plicable threshold amount’ means—

18 “(i) \$150,000, in the case of a joint
19 return or surviving spouse (as defined in
20 section 2(a)) ,

21 “(ii) \$112,500, in the case of a head
22 of household (as defined in section 2(b)),
23 and

24 “(iii) \$75,000, in any other case.

25 “(C) LIMITATION ON REDUCTION.—

1 “(i) IN GENERAL.—The amount of
2 the reduction under subparagraph (A)
3 shall not exceed the lesser of—

4 “(I) the applicable credit increase
5 amount, or

6 “(II) 5 percent of the applicable
7 phaseout threshold range.

8 “(ii) APPLICABLE CREDIT INCREASE
9 AMOUNT.—For purposes of this subpara-
10 graph, the term ‘applicable credit increase
11 amount’ means the excess (if any) of—

12 “(I) the amount of the credit al-
13 lowable under this section for the tax-
14 able year determined without regard
15 to this paragraph and subsection (b),
16 over

17 “(II) the amount of such credit
18 as so determined and without regard
19 to paragraph (3).

20 “(iii) APPLICABLE PHASEOUT
21 THRESHOLD RANGE.—For purposes of this
22 subparagraph, the term ‘applicable phase-
23 out threshold range’ means the excess of—

24 “(I) the threshold amount appli-
25 cable to the taxpayer under subsection

1 (b) (determined after the application
2 of subsection (h)(3)), over
3 “(II) the applicable threshold
4 amount applicable to the taxpayer
5 under this paragraph.

6 “(D) COORDINATION WITH LIMITATION ON
7 OVERALL CREDIT.—Subsection (b) shall be ap-
8 plied by substituting ‘the credit allowable under
9 subsection (a) (determined after the application
10 of subsection (i)(4)(A)’ for ‘the credit allowable
11 under subsection (a)’.”.

12 (b) ADVANCE PAYMENT OF CREDIT.—

13 (1) IN GENERAL.—Chapter 77 of such Code is
14 amended by inserting after section 7527 the fol-
15 lowing new section:

16 **“SEC. 7527A. ADVANCE PAYMENT OF CHILD TAX CREDIT.**

17 “(a) IN GENERAL.—The Secretary shall establish a
18 program for making periodic payments to taxpayers
19 which, in the aggregate during any calendar year, equal
20 the annual advance amount determined with respect to
21 such taxpayer for such calendar year. Except as provided
22 in subsection (b)(3)(B), the periodic payments made to
23 any taxpayer for any calendar year shall be in equal
24 amounts.

1 “(b) ANNUAL ADVANCE AMOUNT.—For purposes of
2 this section—

3 “(1) IN GENERAL.—Except as otherwise pro-
4 vided in this subsection, the term ‘annual advance
5 amount’ means, with respect to any taxpayer for any
6 calendar year, the amount (if any) which is esti-
7 mated by the Secretary as being equal to 50 percent
8 of the amount which would be treated as allowed
9 under subpart C of part IV of subchapter A of chap-
10 ter 1 by reason of section 24(d) (after application of
11 subsection (i)(1) thereof) for the taxpayer’s taxable
12 year beginning in such calendar year if—

13 “(A) the taxpayer’s modified adjusted
14 gross income for such taxable year is equal to
15 the taxpayer’s modified adjusted gross income
16 for the reference taxable year,

17 “(B) the only children of such taxpayer for
18 such taxable year are qualifying children prop-
19 erly claimed on the taxpayer’s return of tax for
20 the reference taxable year,

21 “(C) the ages of such children (and the
22 status of such children as qualifying children)
23 are determined for such taxable year by taking
24 into account the passage of time since the ref-
25 erence taxable year, and

1 “(D) the earned income (within the mean-
2 ing of section 32) which is taken into account
3 in computing taxable income for the taxable
4 year of such taxpayer for such taxable year is
5 equal to the earned income for the reference
6 taxable year.

7 “(2) REFERENCE TAXABLE YEAR.—Except as
8 provided in paragraph (3)(A), the term ‘reference
9 taxable year’ means, with respect to any taxpayer
10 for any calendar year, the taxpayer’s taxable year
11 beginning in the preceding calendar year or, in the
12 case of taxpayer who did not file a return of tax for
13 such taxable year, the taxpayer’s taxable year begin-
14 ning in the second preceding calendar year.

15 “(3) MODIFICATIONS DURING CALENDAR
16 YEAR.—

17 “(A) IN GENERAL.—The Secretary may
18 modify, during any calendar year, the annual
19 advance amount with respect to any taxpayer
20 for such calendar year to take into account—

21 “(i) a return of tax filed by such tax-
22 payer during such calendar year (and the
23 taxable year to which such return relates
24 may be taken into account as the reference
25 taxable year), and

1 “(ii) any other information provided
2 by the taxpayer to the Secretary which al-
3 lows the Secretary to determine payments
4 under subsection (a) which, in the aggre-
5 gate during any taxable year of the tax-
6 payer, more closely total the Secretary’s
7 estimate of the amount treated as allowed
8 under subpart C of part IV of subchapter
9 A of chapter 1 by reason of section
10 24(i)(1) for such taxable year of such tax-
11 payer.

12 “(B) ADJUSTMENT TO REFLECT EXCESS
13 OR DEFICIT IN PRIOR PAYMENTS.—In the case
14 of any modification of the annual advance
15 amount under subparagraph (A), the Secretary
16 may adjust the amount of any periodic payment
17 made after the date of such modification to
18 properly take into account the amount by which
19 any periodic payment made before such date
20 was greater than or less than the amount that
21 such payment would have been on the basis of
22 the annual advance amount as so modified.

23 “(4) TREATMENT OF CERTAIN DEATHS.—A
24 child shall not be taken into account in determining
25 the annual advance amount under paragraph (1) if

1 the death of such child is known to the Secretary as
2 of the beginning of the calendar year for which the
3 estimate under such paragraph is made.

4 “(c) ON-LINE INFORMATION PORTAL.—The Sec-
5 retary shall establish an on-line portal which allows tax-
6 payers to—

7 “(1) elect not to receive payments under this
8 section, and

9 “(2) provide information to the Secretary which
10 would be relevant to a modification under subsection
11 (b)(3)(B) of the annual advance amount, including
12 information regarding—

13 “(A) a change in the number of the tax-
14 payer’s qualifying children, including by reason
15 of the birth of a child,

16 “(B) a change in the taxpayer’s marital
17 status,

18 “(C) a significant change in the taxpayer’s
19 income, and

20 “(D) any other factor which the Secretary
21 may provide.

22 “(d) NOTICE OF PAYMENTS.—Not later than Janu-
23 ary 31 of the calendar year following any calendar year
24 during which the Secretary makes one or more payments
25 to any taxpayer under this section, the Secretary shall pro-

1 vide such taxpayer with a written notice which includes
2 the taxpayer's taxpayer identity (as defined in section
3 6103(b)(6)), the aggregate amount of such payments
4 made to such taxpayer during such calendar year, and
5 such other information as the Secretary determines appro-
6 priate.

7 “(e) ADMINISTRATIVE PROVISIONS.—

8 “(1) APPLICATION OF ELECTRONIC FUNDS PAY-
9 MENT REQUIREMENT.—The payments made by the
10 Secretary under subsection (a) shall be made by
11 electronic funds transfer to the same extent and in
12 the same manner as if such payments were Federal
13 payments not made under this title.

14 “(2) APPLICATION OF CERTAIN RULES.—Rules
15 similar to the rules of subparagraphs (B) and (C) of
16 section 6428A(f)(3) shall apply for purposes of this
17 section.

18 “(3) EXCEPTION FROM REDUCTION OR OFF-
19 SET.—Any payment made to any individual under
20 this section shall not be—

21 “(A) subject to reduction or offset pursu-
22 ant to subsection (c), (d), (e), or (f) of section
23 6402, or

1 “(B) reduced or offset by other assessed
2 Federal taxes that would otherwise be subject
3 to levy or collection.

4 “(4) APPLICATION OF ADVANCE PAYMENTS IN
5 THE POSSESSIONS OF THE UNITED STATES.—

6 “(5) ADVANCE PAYMENTS NOT APPLICABLE TO
7 POSSESSIONS OF THE UNITED STATES.—

8 “(A) IN GENERAL.—In the case of any
9 possession of the United States with a mirror
10 code tax system (as defined in section 24(k)),
11 this section shall not be treated as part of the
12 income tax laws of the United States for pur-
13 poses of determining the income tax law of such
14 possession.

15 “(B) ADMINISTRATIVE EXPENSES OF AD-
16 VANCE PAYMENTS.—

17 “(i) MIRROR CODE POSSESSIONS.—In
18 the case of any possession described in
19 subparagraph (B) which makes the elec-
20 tion described in such subparagraph, the
21 amount otherwise paid by the Secretary to
22 such possession under section 24(k)(1)(A)
23 with respect to taxable years beginning in
24 2021 shall be increased by \$300,000 if
25 such possession has a plan, which has been

1 approved by the Secretary, for making ad-
2 vance payments consistent with such elec-
3 tion.

4 “(ii) AMERICAN SAMOA.—The amount
5 otherwise paid by the Secretary to Amer-
6 ican Samoa under subparagraph (A) of
7 section 24(k)(3) with respect to taxable
8 years beginning in 2021 shall be increased
9 by \$300,000 if the plan described in sub-
10 paragraph (B) of such section includes a
11 program, which has been approved by the
12 Secretary, for making advance payments
13 under rules similar to the rules of this sec-
14 tion.

15 “(iii) TIMING OF PAYMENT.—The
16 Secretary may pay, upon the request of the
17 possession of the United States to which
18 the payment is to be made, the amount of
19 the increase determined under clause (i) or
20 (ii) immediately upon approval of the plan
21 referred to in such clause, respectively.

22 “(f) APPLICATION.—No payments shall be made
23 under the program established under subsection (a) with
24 respect to—

25 “(1) any period before July 1, 2021, or

1 “(2) any period after December 31, 2021.

2 “(g) REGULATIONS.—The Secretary shall issue such
3 regulations or other guidance as the Secretary determines
4 necessary or appropriate to carry out the purposes of this
5 section and subsections (i)(1) and (j) of section 24, includ-
6 ing regulations or other guidance which provides for the
7 application of such provisions where the filing status of
8 the taxpayer for a taxable year is different from the status
9 used for determining the annual advance amount.”.

10 (2) RECONCILIATION OF CREDIT AND ADVANCE
11 CREDIT.—Section 24 of such Code, as amended by
12 the preceding provision of this Act, is amended by
13 adding at the end the following new subsection:

14 “(j) RECONCILIATION OF CREDIT AND ADVANCE
15 CREDIT.—

16 “(1) IN GENERAL.—The amount of the credit
17 allowed under this section to any taxpayer for any
18 taxable year shall be reduced (but not below zero) by
19 the aggregate amount of payments made under sec-
20 tion 7527A to such taxpayer during such taxable
21 year. Any failure to so reduce the credit shall be
22 treated as arising out of a mathematical or clerical
23 error and assessed according to section 6213(b)(1).

24 “(2) EXCESS ADVANCE PAYMENTS.—

1 “(A) IN GENERAL.—If the aggregate
2 amount of payments under section 7527A to
3 the taxpayer during the taxable year exceeds
4 the amount of the credit allowed under this sec-
5 tion to such taxpayer for such taxable year (de-
6 termined without regard to paragraph (1)), the
7 tax imposed by this chapter for such taxable
8 year shall be increased by the amount of such
9 excess. Any failure to so increase the tax shall
10 be treated as arising out of a mathematical or
11 clerical error and assessed according to section
12 6213(b)(1).

13 “(B) SAFE HARBOR BASED ON MODIFIED
14 ADJUSTED GROSS INCOME.—

15 “(i) IN GENERAL.—In the case of a
16 taxpayer whose modified adjusted gross in-
17 come (as defined in subsection (b)) for the
18 taxable year does not exceed 200 percent
19 of the applicable income threshold, the
20 amount of the increase determined under
21 subparagraph (A) with respect to such tax-
22 payer for such taxable year shall be re-
23 duced (but not below zero) by the safe har-
24 bor amount.

“(ii) PHASE OUT OF SAFE HARBOR AMOUNT.—In the case of a taxpayer whose modified adjusted gross income (as defined in subsection (b)) for the taxable year exceeds the applicable income threshold, the safe harbor amount otherwise in effect under clause (i) shall be reduced by the amount which bears the same ratio to such amount as such excess bears to the applicable income threshold.

“(iii) APPLICABLE INCOME THRESHOLD.—For purposes of this subparagraph, the term ‘applicable income threshold’ means—

“(I) \$60,000 in the case of a joint return or surviving spouse (as defined in section 2(a)),

“(II) \$50,000 in the case of a head of household, and

“(III) \$40,000 in any other case.

“(iv) SAFE HARBOR AMOUNT.—For purposes of this subparagraph, the term ‘safe harbor amount’ means, with respect to any taxable year, the product of—

“(I) \$2,000, multiplied by

1 “(II) the excess (if any) of the
2 number of qualified children taken
3 into account in determining the an-
4 nual advance amount with respect to
5 the taxpayer under section 7527A
6 with respect to months beginning in
7 such taxable year, over the number of
8 qualified children taken into account
9 in determining the credit allowed
10 under this section for such taxable
11 year.”.

12 (3) COORDINATION WITH WAGE WITH-
13 HOLDING.—Section 3402(f)(1)(C) of such Code is
14 amended by striking “section 24(a)” and inserting
15 “section 24 (determined after application of sub-
16 section (j) thereof)”.

17 (4) CONFORMING AMENDMENTS.—

18 (A) Section 26(b)(2) of such Code is
19 amended by striking “and” at the end of sub-
20 paragraph (X), by striking the period at the
21 end of subparagraph (Y) and inserting “, and”,
22 and by adding at the end the following new sub-
23 paragraph:

24 “(Z) section 24(j)(2) (relating to excess
25 advance payments).”.

1 (B) Section 6211(b)(4)(A) of such Code,
2 as amended by the preceding provisions of this
3 subtitle, is amended by striking “and 6428B”
4 and inserting “6428B, and 7527A”.

5 (C) Paragraph (2) of section 1324(b) of
6 title 31, United States Code, is amended—

7 (i) by inserting “24,” before “25A”,
8 and

9 (ii) by striking “ or 6431” and insert-
10 ing “6431, or 7527A”.

11 (D) The table of sections for chapter 77 of
12 the Internal Revenue Code of 1986 is amended
13 by inserting after the item relating to section
14 7527 the following new item:

“Sec. 7527A. Advance payment of child tax credit.”.

15 (5) APPROPRIATIONS TO CARRY OUT ADVANCE
16 PAYMENTS.—Immediately upon the enactment of
17 this Act, in addition to amounts otherwise available,
18 there are appropriated for fiscal year 2021, out of
19 any money in the Treasury not otherwise appro-
20 priated:

21 (A) \$397,200,000 to remain available until
22 September 30, 2022, for necessary expenses for
23 the Internal Revenue Service to carry out this
24 section (and the amendments made by this sec-
25 tion), which shall supplement and not supplant

1 any other appropriations that may be available
2 for this purpose, and

3 (B) \$16,200,000 to remain available until
4 September 30, 2022, for necessary expenses for
5 the Bureau of the Fiscal Service to carry out
6 this section (and the amendments made by this
7 section), which shall supplement and not sup-
8 plant any other appropriations that may be
9 available for this purpose.

10 (c) EFFECTIVE DATE.—

11 (1) IN GENERAL.—The amendments made by
12 this section shall apply to taxable years beginning
13 after December 31, 2020.

14 (2) ESTABLISHMENT OF ADVANCE PAYMENT
15 PROGRAM.—The Secretary of the Treasury (or the
16 Secretary's designee) shall establish the program de-
17 scribed in section 7527A of the Internal Revenue
18 Code of 1986 as soon as practicable after the date
19 of the enactment of this Act, except that the Sec-
20 retary shall ensure that the timing of the establish-
21 ment of such program does not interfere with car-
22 rying out section 6428B(g) as rapidly as possible.

1 **SEC. 9612. APPLICATION OF CHILD TAX CREDIT IN POSSES-**
2 **SIONS.**

3 (a) IN GENERAL.—Section 24 of the Internal Rev-
4 enue Code of 1986, as amended by the preceding provi-
5 sions of this Act, is amended by adding at the end the
6 following new subsection:

7 “(k) APPLICATION OF CREDIT IN POSSESSIONS.—

8 “(1) MIRROR CODE POSSESSIONS.—

9 “(A) IN GENERAL.—The Secretary shall
10 pay to each possession of the United States
11 with a mirror code tax system amounts equal to
12 the loss (if any) to that possession by reason of
13 the application of this section (determined with-
14 out regard to this subsection) with respect to
15 taxable years beginning after 2020. Such
16 amounts shall be determined by the Secretary
17 based on information provided by the govern-
18 ment of the respective possession.

19 “(B) COORDINATION WITH CREDIT AL-
20 LOWED AGAINST UNITED STATES INCOME
21 TAXES.—No credit shall be allowed under this
22 section for any taxable year to any individual to
23 whom a credit is allowable against taxes im-
24 posed by a possession of the United States with
25 a mirror code tax system by reason of the appli-

1 cation of this section in such possession for
2 such taxable year.

3 “(C) MIRROR CODE TAX SYSTEM.—For
4 purposes of this paragraph, the term ‘mirror
5 code tax system’ means, with respect to any
6 possession of the United States, the income tax
7 system of such possession if the income tax li-
8 ability of the residents of such possession under
9 such system is determined by reference to the
10 income tax laws of the United States as if such
11 possession were the United States.

12 “(2) PUERTO RICO.—In the case of any bona
13 fide resident of Puerto Rico (within the meaning of
14 section 937(a)) for any taxable year beginning after
15 December 31, 2020—

16 “(A) the credit determined under this sec-
17 tion shall be allowable to such resident, and

18 “(B) subsection (d)(1)(B)(ii) shall be ap-
19 plied without regard to the phrase ‘in the case
20 of a taxpayer with 3 or more qualifying chil-
21 dren’.

22 “(3) AMERICAN SAMOA.—

23 “(A) IN GENERAL.—The Secretary shall
24 pay to American Samoa amounts estimated by
25 the Secretary as being equal to the aggregate

1 benefits that would have been provided to resi-
2 dents of American Samoa by reason of the ap-
3 plication of this section for taxable years begin-
4 ning after 2020 if the provisions of this section
5 had been in effect in American Samoa (applied
6 as if American Samoa were the United States
7 and without regard to the application of this
8 section to bona fide residents of Puerto Rico
9 under subsection (i)(1)).

10 “(B) DISTRIBUTION REQUIREMENT.—Sub-
11 paragraph (A) shall not apply unless American
12 Samoa has a plan, which has been approved by
13 the Secretary, under which American Samoa
14 will promptly distribute such payments to its
15 residents.

16 “(C) COORDINATION WITH CREDIT AL-
17 LOWED AGAINST UNITED STATES INCOME
18 TAXES.—

19 “(i) IN GENERAL.—In the case of a
20 taxable year with respect to which a plan
21 is approved under subparagraph (B), this
22 section (other than this subsection) shall
23 not apply to any individual eligible for a
24 distribution under such plan.

1 “(ii) APPLICATION OF SECTION IN
2 EVENT OF ABSENCE OF APPROVED
3 PLAN.—In the case of a taxable year with
4 respect to which a plan is not approved
5 under subparagraph (B), rules similar to
6 the rules of paragraph (2) shall apply with
7 respect to bona fide residents of American
8 Samoa (within the meaning of section
9 937(a)).

10 “(4) TREATMENT OF PAYMENTS.—For pur-
11 poses of section 1324 of title 31, United States
12 Code, the payments under this subsection shall be
13 treated in the same manner as a refund due from
14 a credit provision referred to in subsection (b)(2) of
15 such section.”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2020.

19 **PART 3—EARNED INCOME TAX CREDIT**

20 **SEC. 9621. STRENGTHENING THE EARNED INCOME TAX**
21 **CREDIT FOR INDIVIDUALS WITH NO QUALI-**
22 **FYING CHILDREN.**

23 (a) SPECIAL RULES FOR 2021.—Section 32 of the
24 Internal Revenue Code of 1986 is amended by adding at
25 the end the following new subsection:

1 “(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT
2 QUALIFYING CHILDREN.—In the case of any taxable year
3 beginning after December 31, 2020, and before January
4 1, 2022—

5 “(1) DECREASE IN MINIMUM AGE FOR CRED-
6 IT.—

7 “(A) IN GENERAL.—Subsection
8 (c)(1)(A)(ii)(II) shall be applied by substituting
9 ‘the applicable minimum age’ for ‘age 25’.

10 “(B) APPLICABLE MINIMUM AGE.—For
11 purposes of this paragraph, the term ‘applicable
12 minimum age’ means—

13 “(i) except as otherwise provided in
14 this subparagraph, age 19,

15 “(ii) in the case of a specified student
16 (other than a qualified former foster youth
17 or a qualified homeless youth), age 24, and

18 “(iii) in the case of a qualified former
19 foster youth or a qualified homeless youth,
20 age 18.

21 “(C) SPECIFIED STUDENT.—For purposes
22 of this paragraph, the term ‘specified student’
23 means, with respect to any taxable year, an in-
24 dividual who is an eligible student (as defined

1 in section 25A(b)(3)) during at least 5 calendar
2 months during the taxable year.

3 “(D) QUALIFIED FORMER FOSTER
4 YOUTH.—For purposes of this paragraph, the
5 term ‘qualified former foster youth’ means an
6 individual who—

7 “(i) on or after the date that such in-
8 dividual attained age 14, was in foster care
9 provided under the supervision or adminis-
10 tration of an entity administering (or eligi-
11 ble to administer) a plan under part B or
12 part E of title IV of the Social Security
13 Act (without regard to whether Federal as-
14 sistance was provided with respect to such
15 child under such part E), and

16 “(ii) provides (in such manner as the
17 Secretary may provide) consent for entities
18 which administer a plan under part B or
19 part E of title IV of the Social Security
20 Act to disclose to the Secretary informa-
21 tion related to the status of such individual
22 as a qualified former foster youth.

23 “(E) QUALIFIED HOMELESS YOUTH.—For
24 purposes of this paragraph, the term ‘qualified
25 homeless youth’ means, with respect to any tax-

1 able year, an individual who certifies, in a man-
2 ner as provided by the Secretary, that such in-
3 dividual is either an unaccompanied youth who
4 is a homeless child or youth, or is unaccom-
5 panied, at risk of homelessness, and self-sup-
6 porting.

7 “(2) ELIMINATION OF MAXIMUM AGE FOR
8 CREDIT.—Subsection (c)(1)(A)(ii)(II) shall be ap-
9 plied without regard to the phrase ‘but not attained
10 age 65’.

11 “(3) INCREASE IN CREDIT AND PHASEOUT PER-
12 CENTAGES.—The table contained in subsection
13 (b)(1) shall be applied by substituting ‘15.3’ for
14 ‘7.65’ each place it appears therein.

15 “(4) INCREASE IN EARNED INCOME AND
16 PHASEOUT AMOUNTS.—

17 “(A) IN GENERAL.—The table contained in
18 subsection (b)(2)(A) shall be applied—

19 “(i) by substituting ‘\$9,820’ for
20 ‘\$4,220’, and

21 “(ii) by substituting ‘\$11,610’ for
22 ‘\$5,280’.

23 “(B) COORDINATION WITH INFLATION AD-
24 JUSTMENT.—Subsection (j) shall not apply to
25 any dollar amount specified in this paragraph.”.

1 (b) INFORMATION RETURN MATCHING.—As soon as
2 practicable, the Secretary of the Treasury (or the Sec-
3 retary's delegate) shall develop and implement procedures
4 to use information returns under section 6050S (relating
5 to returns relating to higher education tuition and related
6 expenses) to check the status of individuals as specified
7 students for purposes of section 32(n)(1)(B)(ii) of the In-
8 ternal Revenue Code of 1986 (as added by this section).

9 (c) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to taxable years beginning after
11 December 31, 2020.

12 **SEC. 9622. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED**
13 **INCOME CREDIT IN CASE OF QUALIFYING**
14 **CHILDREN WHO FAIL TO MEET CERTAIN**
15 **IDENTIFICATION REQUIREMENTS.**

16 (a) IN GENERAL.—Section 32(c)(1) of the Internal
17 Revenue Code of 1986 is amended by striking subpara-
18 graph (F).

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 December 31, 2020.

22 **SEC. 9623. CREDIT ALLOWED IN CASE OF CERTAIN SEPA-**
23 **RATED SPOUSES.**

24 (a) IN GENERAL.—Section 32(d) of the Internal Rev-
25 enue Code of 1986 is amended—

1 (1) by striking “MARRIED INDIVIDUALS.—In
2 the case of” and inserting the following: “MARRIED
3 INDIVIDUALS.—

4 “(1) IN GENERAL.—In the case of”, and

5 (2) by adding at the end the following new
6 paragraph:

7 “(2) DETERMINATION OF MARITAL STATUS.—
8 For purposes of this section—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), marital status shall be deter-
11 mined under section 7703(a).

12 “(B) SPECIAL RULE FOR SEPARATED
13 SPOUSE.—An individual shall not be treated as
14 married if such individual—

15 “(i) is married (as determined under
16 section 7703(a)) and does not file a joint
17 return for the taxable year,

18 “(ii) resides with a qualifying child of
19 the individual for more than one-half of
20 such taxable year, and

21 “(iii)(I) during the last 6 months of
22 such taxable year, does not have the same
23 principal place of abode as the individual’s
24 spouse, or

1 “(II) has a decree, instrument, or
2 agreement (other than a decree of divorce)
3 described in section 121(d)(3)(C) with re-
4 spect to the individual’s spouse and is not
5 a member of the same household with the
6 individual’s spouse by the end of the tax-
7 able year.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 32(c)(1)(A) of such Code is amend-
10 ed by striking the last sentence.

11 (2) Section 32(c)(1)(E)(ii) of such Code is
12 amended by striking “(within the meaning of section
13 7703)”.

14 (3) Section 32(d)(1) of such Code, as amended
15 by subsection (a), is amended by striking “(within
16 the meaning of section 7703)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2020.

20 **SEC. 9624. MODIFICATION OF DISQUALIFIED INVESTMENT**
21 **INCOME TEST.**

22 (a) IN GENERAL.—Section 32(i) of the Internal Rev-
23 enue Code of 1986 is amended by striking “\$2,200” and
24 inserting “\$10,000”.

1 (b) INFLATION ADJUSTMENT.—Section 32(j)(1) of
2 such Code is amended—

3 (1) in the matter preceding subparagraph (A),
4 by inserting “(2021 in the case of the dollar amount
5 in subsection (i)(1))” after “2015”,

6 (2) in subparagraph (B)(i)—

7 (A) by striking “subsections (b)(2)(A) and
8 (i)(1)” and inserting “subsection (b)(2)(A)”,
9 and

10 (B) by striking “and” at the end,

11 (3) by striking the period at the end of sub-
12 paragraph (B)(ii) and inserting “, and”, and

13 (4) by inserting after subparagraph (B)(ii) the
14 following new clause:

15 “(iii) in the case of the \$10,000
16 amount in subsection (i)(1), ‘calendar year
17 2020’ for ‘calendar year 2016’.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2020.

21 **SEC. 9625. APPLICATION OF EARNED INCOME TAX CREDIT**
22 **IN POSSESSIONS OF THE UNITED STATES.**

23 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
24 enue Code of 1986 is amended by adding at the end the
25 following new section:

1 **“SEC. 7530. APPLICATION OF EARNED INCOME TAX CREDIT**
2 **TO POSSESSIONS OF THE UNITED STATES.**

3 “(a) PUERTO RICO.—

4 “(1) IN GENERAL.—With respect to calendar
5 year 2021 and each calendar year thereafter, the
6 Secretary shall, except as otherwise provided in this
7 subsection, make payments to Puerto Rico equal
8 to—

9 “(A) the specified matching amount for
10 such calendar year, plus

11 “(B) in the case of calendar years 2021
12 through 2025, the lesser of—

13 “(i) the expenditures made by Puerto
14 Rico during such calendar year for edu-
15 cation efforts with respect to individual
16 taxpayers and tax return preparers relat-
17 ing to the earned income tax credit, or

18 “(ii) \$1,000,000.

19 “(2) REQUIREMENT TO REFORM EARNED IN-
20 COME TAX CREDIT.—The Secretary shall not make
21 any payments under paragraph (1) with respect to
22 any calendar year unless Puerto Rico has in effect
23 an earned income tax credit for taxable years begin-
24 ning in or with such calendar year which (relative to
25 the earned income tax credit which was in effect for
26 taxable years beginning in or with calendar year

1 2019) increases the percentage of earned income
2 which is allowed as a credit for each group of indi-
3 viduals with respect to which such percentage is sep-
4 arately stated or determined in a manner designed
5 to substantially increase workforce participation.

6 “(3) SPECIFIED MATCHING AMOUNT.—For pur-
7 poses of this subsection—

8 “(A) IN GENERAL.—The term ‘specified
9 matching amount’ means, with respect to any
10 calendar year, the lesser of—

11 “(i) the excess (if any) of—

12 “(I) the cost to Puerto Rico of
13 the earned income tax credit for tax-
14 able years beginning in or with such
15 calendar year, over

16 “(II) the base amount for such
17 calendar year, or

18 “(ii) the product of 3, multiplied by
19 the base amount for such calendar year.

20 “(B) BASE AMOUNT.—

21 “(i) BASE AMOUNT FOR 2021.—In the
22 case of calendar year 2021, the term ‘base
23 amount’ means the greater of—

24 “(I) the cost to Puerto Rico of
25 the earned income tax credit for tax-

1 able years beginning in or with cal-
2 endar year 2019 (rounded to the
3 nearest multiple of \$1,000,000), or

4 “(II) \$200,000,000.

5 “(ii) INFLATION ADJUSTMENT.—In
6 the case of any calendar year after 2021,
7 the term ‘base amount’ means the dollar
8 amount determined under clause (i) in-
9 creased by an amount equal to—

10 “(I) such dollar amount, multi-
11 plied by—

12 “(II) the cost-of-living adjust-
13 ment determined under section 1(f)(3)
14 for such calendar year, determined by
15 substituting ‘calendar year 2020’ for
16 ‘calendar year 2016’ in subparagraph
17 (A)(ii) thereof.

18 Any amount determined under this clause
19 shall be rounded to the nearest multiple of
20 \$1,000,000.

21 “(4) RULES RELATED TO PAYMENTS.—

22 “(A) TIMING OF PAYMENTS.—The Sec-
23 retary shall make payments under paragraph
24 (1) for any calendar year—

1 “(i) after receipt of such information
2 as the Secretary may require to determine
3 such payments, and

4 “(ii) except as provided in clause (i),
5 within a reasonable period of time before
6 the due date for individual income tax re-
7 turns (as determined under the laws of
8 Puerto Rico) for taxable years which began
9 on the first day of such calendar year.

10 “(B) INFORMATION.—The Secretary may
11 require the reporting of such information as the
12 Secretary may require to carry out this sub-
13 section.

14 “(C) DETERMINATION OF COST OF
15 EARNED INCOME TAX CREDIT.—For purposes
16 of this subsection, the cost to Puerto Rico of
17 the earned income tax credit shall be deter-
18 mined by the Secretary on the basis of the laws
19 of Puerto Rico and shall include reductions in
20 revenues received by Puerto Rico by reason of
21 such credit and refunds attributable to such
22 credit, but shall not include any administrative
23 costs with respect to such credit.

24 “(b) POSSESSIONS WITH MIRROR CODE TAX SYS-
25 TEMS.—

1 “(1) IN GENERAL.—With respect to calendar
2 year 2021 and each calendar year thereafter, the
3 Secretary shall, except as otherwise provided in this
4 subsection, make payments to the Virgin Islands,
5 Guam, and the Commonwealth of the Northern Mar-
6 iana Islands equal to—

7 “(A) the cost to such possession of the
8 earned income tax credit for taxable years be-
9 ginning in or with such calendar year, plus

10 “(B) in the case of calendar years 2021
11 through 2025, the lesser of—

12 “(i) the expenditures made by such
13 possession during such calendar year for
14 education efforts with respect to individual
15 taxpayers and tax return preparers relat-
16 ing to such earned income tax credit, or

17 “(ii) \$50,000.

18 “(2) APPLICATION OF CERTAIN RULES.—Rules
19 similar to the rules of subparagraphs (A), (B), and
20 (C) of subsection (a)(4) shall apply for purposes of
21 this subsection.

22 “(c) AMERICAN SAMOA.—

23 “(1) IN GENERAL.—With respect to calendar
24 year 2021 and each calendar year thereafter, the
25 Secretary shall, except as otherwise provided in this

1 subsection, make payments to American Samoa
2 equal to—

3 “(A) the lesser of—

4 “(i) the cost to American Samoa of
5 the earned income tax credit for taxable
6 years beginning in or with such calendar
7 year, or

8 “(ii) \$16,000,000, plus

9 “(B) in the case of calendar years 2021
10 through 2025, the lesser of—

11 “(i) the expenditures made by Amer-
12 ican Samoa during such calendar year for
13 education efforts with respect to individual
14 taxpayers and tax return preparers relat-
15 ing to such earned income tax credit, or

16 “(ii) \$50,000.

17 “(2) REQUIREMENT TO ENACT AND MAINTAIN
18 AN EARNED INCOME TAX CREDIT.—The Secretary
19 shall not make any payments under paragraph (1)
20 with respect to any calendar year unless American
21 Samoa has in effect an earned income tax credit for
22 taxable years beginning in or with such calendar
23 year which allows a refundable tax credit to individ-
24 uals on the basis of the taxpayer’s earned income

1 which is designed to substantially increase workforce
2 participation.

3 “(3) INFLATION ADJUSTMENT.—In the case of
4 any calendar year after 2021, the \$16,000,000
5 amount in paragraph (1)(A)(ii) shall be increased by
6 an amount equal to—

7 “(A) such dollar amount, multiplied by—

8 “(B) the cost-of-living adjustment deter-
9 mined under section 1(f)(3) for such calendar
10 year, determined by substituting ‘calendar year
11 2020’ for ‘calendar year 2016’ in subparagraph
12 (A)(ii) thereof.

13 Any increase determined under this clause shall be
14 rounded to the nearest multiple of \$100,000.

15 “(4) APPLICATION OF CERTAIN RULES.—Rules
16 similar to the rules of subparagraphs (A), (B), and
17 (C) of subsection (a)(4) shall apply for purposes of
18 this subsection.

19 “(d) TREATMENT OF PAYMENTS.—For purposes of
20 section 1324 of title 31, United States Code, the payments
21 under this section shall be treated in the same manner
22 as a refund due from a credit provision referred to in sub-
23 section (b)(2) of such section.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for chapter 77 of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new item:

“Sec. 7530. Application of earned income tax credit to possessions of the
United States.”.

4 **SEC. 9626. TEMPORARY SPECIAL RULE FOR DETERMINING**
5 **EARNED INCOME FOR PURPOSES OF EARNED**
6 **INCOME TAX CREDIT.**

7 (a) IN GENERAL.—If the earned income of the tax-
8 payer for the taxpayer’s first taxable year beginning in
9 2021 is less than the earned income of the taxpayer for
10 the taxpayer’s first taxable year beginning in 2019, the
11 credit allowed under section 32 of the Internal Revenue
12 Code of 1986 may, at the election of the taxpayer, be de-
13 termined by substituting—

14 (1) such earned income for the taxpayer’s first
15 taxable year beginning in 2019, for

16 (2) such earned income for the taxpayer’s first
17 taxable year beginning in 2021.

18 (b) EARNED INCOME.—

19 (1) IN GENERAL.—For purposes of this section,
20 the term “earned income” has the meaning given
21 such term under section 32(c) of the Internal Rev-
22 enue Code of 1986.

23 (2) APPLICATION TO JOINT RETURNS.—For
24 purposes of subsection (a), in the case of a joint re-

1 turn, the earned income of the taxpayer for the first
2 taxable year beginning in 2019 shall be the sum of
3 the earned income of each spouse for such taxable
4 year.

5 (c) SPECIAL RULES.—

6 (1) ERRORS TREATED AS MATHEMATICAL ER-
7 RORS.—For purposes of section 6213 of the Internal
8 Revenue Code of 1986, an incorrect use on a return
9 of earned income pursuant to subsection (a) shall be
10 treated as a mathematical or clerical error.

11 (2) NO EFFECT ON DETERMINATION OF GROSS
12 INCOME, ETC.—Except as otherwise provided in this
13 subsection, the Internal Revenue Code of 1986 shall
14 be applied without regard to any substitution under
15 subsection (a).

16 (d) TREATMENT OF CERTAIN POSSESSIONS.—

17 (1) PAYMENTS TO POSSESSIONS WITH MIRROR
18 CODE TAX SYSTEMS.—The Secretary of the Treas-
19 ury shall pay to each possession of the United States
20 which has a mirror code tax system amounts equal
21 to the loss (if any) to that possession by reason of
22 the application of the provisions of this section
23 (other than this subsection) with respect to section
24 32 of the Internal Revenue Code of 1986. Such
25 amounts shall be determined by the Secretary of the

1 Treasury based on information provided by the gov-
2 ernment of the respective possession.

3 (2) PAYMENTS TO OTHER POSSESSIONS.—The
4 Secretary of the Treasury shall pay to each posses-
5 sion of the United States which does not have a mir-
6 ror code tax system amounts estimated by the Sec-
7 retary of the Treasury as being equal to the aggre-
8 gate benefits (if any) that would have been provided
9 to residents of such possession by reason of the pro-
10 visions of this section (other than this subsection)
11 with respect to section 32 of the Internal Revenue
12 Code of 1986 if a mirror code tax system had been
13 in effect in such possession. The preceding sentence
14 shall not apply unless the respective possession has
15 a plan, which has been approved by the Secretary of
16 the Treasury, under which such possession will
17 promptly distribute such payments to its residents.

18 (3) MIRROR CODE TAX SYSTEM.—For purposes
19 of this section, the term “mirror code tax system”
20 means, with respect to any possession of the United
21 States, the income tax system of such possession if
22 the income tax liability of the residents of such pos-
23 session under such system is determined by ref-
24 erence to the income tax laws of the United States
25 as if such possession were the United States.

1 (4) TREATMENT OF PAYMENTS.—For purposes
2 of section 1324 of title 31, United States Code, the
3 payments under this section shall be treated in the
4 same manner as a refund due from a credit provi-
5 sion referred to in subsection (b)(2) of such section.